

Senate Committee on Labor and Business

Written Testimony on SB 485

Public Hearing: Tuesday, February 2, 2021

Chairman Riley, Vice Chair Hansell and Members of the Committee,

Thank you for the opportunity to comment on SB 485. My name is Loren Naldoza. I am the Legislative & Communications Manager with Neighborhood Partnerships and am writing in my capacity as a member of Oregon's Stop the Debt Trap Alliance. The Stop the Debt Trap Alliance is a coalition of organizations across Oregon that advocates for policies that benefit Oregonian consumers, tenants, homeowners and individuals across the State.

Higher education paves the way for many Oregonians to access various forms of economic opportunity, however the prospect of attaining affordable higher education is becoming further out of reach for families with lower incomes and especially communities of color. Unless a prospective student considers both their public and private loan options, many will find the sticker price of a two- or four-year institution to be prohibitively expensive. By May 2020, fifty-five percent of people under the age of 30 who went to college took on some debt, which includes student loans.¹ Around that same time, student loan debt in the aggregate constituted the second largest source of household debt in the U.S., totaling \$1.5 trillion, a figure that has doubled in size since the last recession.²

For many, debt and higher education go hand in hand. Based on this reason alone, Oregon law should unequivocally offer fundamental protections for student borrowers. SB 485 would empower Oregon to hold student loan servicers accountable when they intentionally or unintentionally engage in unfair, deceptive, or abusive practices such as mismanaging payments and deceiving borrowers, or providing inaccurate information. SB 485 also creates the position of

¹ Federal Reserve System. Report on the Economic Well-Being of U.S. Households in 2019 – May 2020: Student Loans and Other Education Debt.

² 7 Federal Reserve Bank of New York, Household Debt and Credit (Based on New York Fed Consumer Credit Panel), Center for Microeconomic Data, Q2 2020, at <https://www.newyorkfed.org/microeconomics/hhdc/background.html> (hereinafter Federal Reserve Bank of New York, Household Debt and Credit, Q2 2020).

a student loan ombudsman, which would provide a dependable source for information on all topics relating to student loans.

SB 485 is a necessary first step in affording student loan borrowers with basic protections and information necessary to understand the complicated financial landscape of student loans. Borrowers should know whether they qualify for payment plans, forgiveness, or debt discharge. Likewise, loan servicers should be open and transparent, and not be in the business of deceiving their borrowers with unnecessary payments or contrived fees.

There is a potential that the office of a student loan ombudsman would be oversubscribed or inaccessible to certain communities in Oregon, especially as federal protections for public student loan debt will eventually expire. We have seen in Oregon the success of financial coaching conducted by trusted, community-based organizations in promoting economic resilience and mitigating complicated financial issues. This is especially notable within the scope of HUD-certified housing counseling. The Stop the Debt Trap Alliance strongly believes that there is a great opportunity to improve SB 485 by providing funding for student loan debt counseling for community-based, non-profit organizations across Oregon. Many of these organizations have a comparative advantage that originates from the trust of their community members, which allows them to deliver information and provide counseling services that are tailored to specific community members' needs. This additional effort would greatly complement, and not unnecessarily duplicate, the work of the ombudsman's office.

The Stop the Debt Trap Alliance strongly urges your support of SB 485, along with additional funding for student loan counseling, in order to set borrowers up for success in navigating their student loan debt. Thank you for the opportunity to comment and for your service to the State of Oregon.

Sincerely,

Loren Naldoza

Legislative & Communications Manager

Neighborhood Partnerships